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REVIEW OF RECENT DEVELOPMENTS IN AFRICA'S INTERNATIONAL TRADE RELATIONS

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I. INTRODUCTION

1. Since the seventh session of the Conference of Ministers of Trade held in February 1982, a number of important developments have taken place in Africa's international trade relations. The most important single development has been the advent of the wide-spread drought, desertification and other natural disasters which have brought about untoward damage to agricultural prospects for many countries. The prices of commodities continue to be depressed and the terms of trade of many African countries continue to be negative. In addition, the export earnings of many countries have declined drastically over the past three to four years while their import bills have been mounting thereby aggravating the already serious balance-of-payments deficits.

2. Against this background and a very bleak future for Africa, several negotiations have been going on in several international fora. Notable among them were: (a) the Sixth Session of the United Nations Conference on Trade and Development (UNCTAD); (b) the signing of the Lomé III Convention between the African, Caribbean and Pacific (ACP) States and the European Economic Community(EEC); and (c) Africa's participation in the Global System of Trade Preferences among Developing Countries (GSTP). This paper briefly outlines these and related issues against the background of Africa's specific interests with a view to assisting member States to improve their bargaining position or in maximizing their gains from such negotiations. It also attempts to show the reluctance of the international community in general to fully address themselves to the issues and problems facing the African countries within the context of the economic and social crisis.

II. THE SIXTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

3. The nineteenth Summit of the Heads of State and Government of the Organization of African Unity (OAU) meeting in Addis Ababa in June 1983 called upon the Third Meeting of the Ministerial Follow-up Committee on Trade and Development to assess the results of UNCTAD VI and to report to its twentieth Summit. The assessment is contained in the document entitled «Review and Assessment of the Sixth Session of the United Nations Conference on Trade and Development (E/ECA/OAU/TRADE/11)».

4. The conclusions of the Third Ministerial Follow-up Committee on Trade and Development which met in Addis Ababa from 9 to 14 May 1984 were submitted to the Heads of State and Government of the Organization of African Unity during its Twentieth Summit. The general view of the results of UNCTAD VI was that it failed to meet a major part of the expectations of the Third World countries. For instance:

(a) not much progress had been made on the desire expressed by developing countries that the Conference establish an additional compensatory financing facility for export earnings shortfalls. This is despite the fact that most developing countries are producers of primary commodities, and the bulk of them belong to the developing African continent;

(b) developed countries continue to adopt protectionist measures that adversely affect trade prospects of developing countries. The developed countries also refuse to adhere to standstill and/or rollback on protectionism. Furthermore, they are reluctant to consider adopting structural adjustments with a view to enabling developing countries to benefit from production and trade in areas where the latter have a clear comparative advantage;

(c) the Conference reached no agreement on mandating UNCTAD to assist developing countries to increase their participation in trade in services and similar areas;

(d) not much was achieved on the issues of increasing the flow of development finance to the developing nations from ODA and other multilateral financing institutions. The Group of 77, in the Buenos Aires Platform, called for an increase in the allocation of SDRs and their link to development finance; increase in replenishment of resources of IDA and their timely disbursements in order to achieve the target of ODA, particularly that of least developed countries; expanding IBRD lending programmes and capital base and alleviating external debt problems of the least developed countries by generalized debt relief and conversion of debts into grants. These proposals were either rejected outright or deferred to other bodies on the pretext that these matters fell outside the mandate of UNCTAD. The socialist countries of Eastern Europe on their part reverted to their old arguement of blaming ex-colonial powers for the plight of developing countries and therefore distanced themselves from the search for possible common solutions to these problems;

(e) the Conference failed to address itself on how the IMF should treat the least developed countries with regard to the latter's import bill on energy;

(f) there was no agreement on the developing countries' desire to increasingly participate in shipping services but the Conference merely requested the Secretary-General of UNCTAD to examine the issues raised;

(g) there was no agreement in respect of trade relations among countries having different economic and social systems and on all trade flows resulting therefrom. Socialist countries of Eastern Europe members of Group D could not be moved to accept their international obligations in this field; they continued to reiterate their old familiar theme of resorting to bilateral political dialogue with individual countries of the Group of 77;

(h) the Conference failed to pronounce itself firmly on co-operation in the field of transfer of technology, insurance, reinsurance, food and energy within the context of economic co-operation among developing countries,

(i) the developed countries members of Group B refused to be associated with the Conference resolution on assistance to Liberation Movements on the grounds that UNCTAD was not the right forum for questions relating to liberation movements.

5. A number of these issues have since come up for discussion in subsequent meetings as part of the regular work of the Trade and Development Board (TDB) and its various subsidiary bodies within UNCTAD. These include issues on the interdependent nature of problems of trade development finance and the international monetary system; debt and development problems of developing countries;trade relations among countries having different economic and social systems and all trade flows resulting therefrom; needs and problems of island and land-locked countries within the context of the Substantial New Programme of Action (SNPA) for the least developed among the developing countries (LDCs) as well as outside it: transfer of technology; commodities and services.

6. Interdependence has many dimensions and at times it is open to abuse in certain international negotiations as was demonstrated in regard to the observed impasse or lack of progress on many of the issues during UNCTAD VI. Thus, several sessions of the Committee on Commodities have been held with little progress on substantial issues. For instance, the fourth session of the Permanent Sub-Committee on Commodities followed by the second special session of the Committee made little progress as requested in resolution 156(VI). The former was supposed «to proceed with its consideration of studies on the processing, marketing and distribution, including transportation of individual commodities of interest to developing countries». The latter on the other hand, was called upon «to elaborate the elements of the frameworks of international co-operation in the field of processing, marketing and distribution, including transportation of commodities of export interest to developing countries».

7. The third special session of the Committee on Commodities was convened pursuant to resolution 155(VI) for the purpose of examining, «in close co-operation with the commodity councils concerned, the role of international commodity agreements or arrangements negotiated or renegotiated within UNCTAD in attaining the objectives of the Integrated Programme for Commodities». The results of which were to be submitted to the fourteenth Special Session of the TDB which

had been convened pursuant to paragraph 3 of UNCTAD resolution 157(VI) on the compensatory financing of export earnings shortfalls. However, this meeting was a mere agreement requesting the Secretary-General of UNCTAD to convene in early 1986 an Intergovernmental Group of Experts (IGE) which, in the light of the inputs requested from States members of UNCTAD, the UNCTAD Secretariat, and the United Nations Regional Commissions were to submit written comments on the Expert Group's report. 1/ The IGE would then further debate the issue of a possible new facility.

8. What these experiences have demonstrated is that UNCTAD is like all other international economic fora being plagued by the inability to implement its own decisions or resolutions even where there is a general consensus. There is therefore an agreement among African countries about the urgent need to develop new measures for effective follow up and monitoring the implementation of decisions and recommendations adopted within UNCTAD. To achieve this, it is not necessary to create new structures and some of the old structures, including the permanent committees, can be modified to meet this new need. The African Government policy-makers are therefore urged to initiate early action on issues which should be addressed during UNCTAD VII taking account of the experience with previous sessions of UNCTAD.

III. RESUME OF NEGOTIATIONS AND CONCLUSION OF LOME III

9. The relations between the African, Caribbean and Pacific (ACP) states and the European Economic Community (EEC) under the various Lomé Conventions continue to generate a considerable amount of public interest and controversy. Basically, this is because it covers a great number of issues on which no full agreement has ever been reached between the developing and developed countries. Negotiations for the Successor Arrangement to the Lomé II Convention started in Luxembourg in October 1983 and were concluded in Lomé in December 1984. The Lomé III Convention brings together 66 ACP states on one hand and by January 1986, 12 EEC states on the other hand. This Convention differs from other international fora such as UNCTAD by virtue of its contractual obligations. To the extent that this is so, the developing countries participating in the Convention have access to some forms of redress should they suffer as a result of non-implementation of the agreement.

1/ UNCTAD, Compensatory financing of export earnings shortfalls, TD/B/1029/Rev.1.

10. The negotiations for Lomé III took cognisance of certain shortcomings weighed against its total objectives embodied in the earlier Convention. When the second Ministerial Council of Lomé II met in February 1984 in Brussels, it **inter alia** dealt with issues arising from the meetings of its Ambassadors who had expressed a broad convergence of views on the principles and objectives of co-operation in most sectors. Major areas of disagreement were with regard to the mechanisms of implementation including the criteria of fixing funds for the implementation of the new convenant. The EEC on its part, preferred to defer these issues on the grounds that it was better to await the emergence of an overall picture of future co-operation.

11. It soon became apparent that the EEC did not speak with one voice. In other words, there were some among the EEC members who were strongly opposed to increasing the amount of resources to be made available under the new Convention. Those who favoured increased resources opposed the notion of trade liberalization. This group of EEC countries wished to protect the EEC agricultural products which they considered were in danger of competition from similar ACP exports. The situation was further polarized by the ACP's desire for the preferences to be more than or as equally favourable to those offered to MFN and GSP beneficiaries. The Third ACP-EEC Ministerial Council met in Suva, Fiji from 3 to 5 May 1984 with little progress in narrowing the divergent positions on various aspects of the new provisions. This was followed soon by the fourth ACP-EEC Ministerial Council in Luxembourg at the end of June 1984. Thereafter, the negotiations were conducted by a select contact group until the signing of the Lomé III Convention in Lomé on 8 December 1984.

12. As in other fora, the issue of increased resource flows to developing countries became one of major topics. Table I shows a comparative analysis of the volume of resources earmarked and agreed to sustain the Lomé III Convention as opposed to the Lomé II Convention.

13. As can be seen from the data in table I, the magnitude of resources made available by the Community under Lomé III is considerably higher than under Lomé II. The amount of 8,500 million ECUs allocated under Lomé III though less than the 10,000 million which was requested by the ACP group marks an increase of about 54 per cent on the amount provided under Lomé II. However, a closer analysis of the table shows that despite the global increase in the value of resources allocated to all major elements, the amounts allocated to soft loans and sysmin have relatively declined when considered as a percentage share of the total package. The decline of 2.48 in the percentage shares of soft loans is disturbing particularly when Africa is facing an unprecedented economic crisis.

RESOURCES ALLOCAT

(198

	Value of resources allocated (in million ECUs)		In Lo Lo (i
	Lomé II	Lomé III	
I. EDF			
Grants	2,9[illegible]	4,790	
Soft Loans	5[illegible]	635	
Risk Capital	2[illegible]	635	
Stabex	5[illegible]	925	
Sysmin	2[illegible]	415	
Total	4,645	7,400	
II. EIB			
Subsidised Loans	6[illegible]	1,100	
Ordinary Loans	200	-	
III. Total Resources	5,530	8,500	

Source: Adapted from table by Tony Hill in Lomé

1 ECU = approximately.60 pound sterling or 6.9

TABLE 1

ON UNDER LOME CONVENTIONS

/84-1985/90)

rease of e III over e II r cent)	Percentage share of major components		Percentage Changes from Lomé II over Lomé III
	Lomé II	Lomé III	
59,77	64,54	64,73	+0,19
21,18	11,28	8,58	-2,48
23,59	6,84	8,58	+2,47
66,06	11,99	12,50	+0,51
47,16	6,02	5,61	-0.92
59,31	100.00	100.00	-
60,58	-	-	-
-	-	-	-
53,70	100.00	100.00	-

riefing, No.22, 1985.

French francs.

14. On the basis of these factors, it is doubtful to argue that Lomé III was considerably more advantageous than Lomé II. In other words, taking into account the critical problems facing many ACP countries especially those in Africa, the overall package deal under the Lomé III Convention falls far short of the real and growing needs of these countries.

A. ACP competitiveness in the EEC market

15. The ACP approached the negotations with some concern since they had not faired any better than many non-signatory Third World countries in the area of trade with the EEC under the Lomé II arrangement. A basic problem in this respect was because of the persistence of tariff and non-tariff barriers, especially in relation to ACP agricultural products, that compete with those of the EEC. These are protected under the common criteria for manufactured exports, and the «safeguard clause» which the EEC insists is necessary in case their own economies are seriously disrupted. However, some of the ACP products that compete with EEC products (e.g. beef and sugar) are already covered by special arrangements. The only new development was the increased beef quota to 38,000 tonnes divided among Botswana, Kenya, Swaziland, Tanzania and Zimbabwe. Another important area in terms of trade prospects and trade related services covers the extension of export credits and insurance schemes.

B. Stabilization of Export Earnings Scheme (Stabex)

16. Renegotations of Stabex centred around improving its operational structure and effectiveness. The amoung of 557 ECUs allocated under Lomé II had been insufficient and did not meet most of the legitimate needs of the ACP countries. However, under Lomé III, the amount has been increased to 925 ECUs which represents 66 per cent increase. The number of ACP products which can now benefit has also been increased by 3 from 42 to 45 products. A third eligibility criteria for ACP products has been relaxed*, and the method of calculating transfers has also been considerably improved. An important aspect on which less progress was made relates to the inability to agree on a mechanism for adjustments to take account of losses in value occasioned by inflation.

C. Special financing facility for mining products (Sysmin)

17. The special financing facility for mining products (Sysmin) has been strengthened with increased financial resources from 282 million ECUs (Lomé II) to 415 million ECUs (Lomé III). Its objectives have been refined to incorporate

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* Article 150-3 «At the request of an ACP State which does not send the bulk of its exports to the Community ... the system shall apply to its exports of products in question whatever their destination».

the restoration of the viability of the mining industry in ACP countries, and where this is not possible, to permit the use of funds for economic diversification. 2/ The number of benefitting minerals has been increased with the addition of iron ore previously part of Stabex. A problem which has not been resolved was the desire of the ACP countries to aggregate all minerals products in some countries in order to qualify for benefits from Sysmin.

D. Regional co-operation

18. Regional co-operation under Lomé III has been given due cognizance, and has received increased resources of 1,000 million ECUs as against 621 million ECUs under Lomé II in recognition of its importance by both groups of countries in the promotion of South-South (intra-ACP) co-operation and to their overall economic recovery programmes. Regional co-operation under Lomé III is defined to cover activities between any two or more ACP states and any one or more ACP states or with one or more neighbouring non-ACP states, countries or territories. In other words, there are greater possibilities for any African subregional economic grouping to link some of their activities with those of others on a much wider plane than was hitherto possible under Lomé II. The ACP countries can use the Regional Fund within Lomé III programmes to assist the reinforcement of ACP collective efforts in the area of subregional, regional and interregional co-operation arrangements in close collaboration with activities defined in the Lagos Plan of Action and Caracas Programme of Action adopted by the Group of 77.

IV. AFRICA'S PARTICIPATION IN THE GLOBAL SYSTEM OF TRADE PREFERENCES AMONG DEVELOPING COUNTRIES (GSTP)

19. In response to the decision of the Mexico Conference on Economic Co-operation among Developing Countries held in September 1976 and resolution I(I) of the Committee on Economic Co-operation among Developing Countries, the UNCTAD Secretariat has undertaken a number of studies aimed at elaborating major aspects of a Global System of Trade Preferences among Developing Countries (GSTP). Similarly, the secretariat of ECA has also carried out a number of preliminary studies aimed at providing the basis for detailed examination by government experts from developing countries in their preparatory work for the GSTP negotiations. In the meantime also, the Foreign Ministers of the G.77 adopted in

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2/ Tony Hill, «Lomé II is Dead, Long Live Lomé III», Lomé Briefing No. 22, 1985, p.5.

October 1982, a ministerial Declaration on GSTP setting out the principles, rules and timetable for negotiations. In particular, GSTP is exclusively for members of the Group of 77.

20. The first meeting on GSTP held in May 1983 enabled the participating developing countries to define the nature, scope and the extent of support expected from the UNCTAD secretariat and the regional economic commissions. The meeting also adopted a G-77 proposal requesting UNCTAD to render assistance to developing countries in preparation of their offers and requests collecting and circulating information relevant to the offers and requests of individual countries and group of countries, undertaking special technical studies concerning aspects of overall framework of the proposed system such as rules of origin, safeguards, and making preparations for and servicing meetings of the Negotiating Committee and its subsidiary bodies. 3/ The main aspects of the progress achieved so far are outlined in the next few paragraphs

A. The Technical Group

21. Five initial working papers prepared by the Group of 77 provide a first approximation to rules and negotiations within the Negotiating Committee. These papers were formally adopted as working documents for the Second Meeting of the Negotiating Committee, in May 1984 at which there had been an exploratory exchange of views. All groups participating in the negotiations expressed a willingness to contribute positively in establishing GSTP with a view to facilitating the expansion of trade among developing countries within the broad context of self-reliance and better internal structural development. 4/ It was agreed to hold

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3/ Report of the Meeting enabling the developing countries participating in the negotiations of GSTP inter alia to define the nature, scope and extent of support requested from UNCTAD TD/B/C.7/51, Annex.

4/ Report of the meeting enabling the developing countries participating in the negotiations on global system of trade preferences (GSTP) among developing countries to continue the necessary work towards the establishment of the system, TD/B/C.7/66. The documents were: (a) Suggestions relating to draft rules for the extension of negotiated concessions (TD/B/C.7/AC.2/CRP.1); (b) Draft rules of origin for GSTP (TD/B/C.7/AC.2/CRP.2); (c) Draft rules on safeguards for GSTP (TD/B/C.7/AC.2/CRP.3); (d) Draft procedures for the provisions of special treatment for the least developed countries (TD/B/C.7/AC.2/CRP.4); and (e) The establishment of mechanisms for the bilateral/plurilateral/multilateral negotiations referred to in paragraph 6(a) of the Declaration on GSTP (TD/B/C.7/AC.2/CRP.5)

the third Negotiating Committee meeting in mid October 1984 to enable the negotiating groups to consider in depth any issues arising from the above documents. The process has advanced considerably and the Government of India hosted a GSTP meeting in collaboration with UNCTAD in July 1985 for those developing countries which indicated their willingness to take part in the negotiations and which gave their list of offers or requests for concessions.

B. Assistance by joint ECA/OAU secretariats

22. Technical support has been provided to the African delegations individually and collectively during the meetings of Negotiating Committee pursuant to ECA resolution 317(XIX) calling upon the OAU and ECA secretariats to assist African countries in the preparations for international negotiations and to define a strategy for the negotiations. And also in response to the decision of the Seventh session of the Conference of African Ministers of Trade held in February 1982, the ECA secretariat continued to provide all the necessary assistance to African delegations participating in the global meetings on Economic Co-operation among Developing Countries (ECDC) and to conduct a study to identify those products of interest to African countries and which would be the subject of a global system of Trade Preferences among Developing Countries (GSTP). 5/ The secretariat has also undertaken a preliminary study identifying products of interest to African countries. 6/ The study is intended to assist the African group of countries to negotiate effectively with the possibility of maximizing their mutual interest in the system vis-a-vis other participating regions.

V. AFRICA'S TRADE AND ECONOMIC CO-OPERATION WITH SOCIALIST COUNTRIES OF EASTERN EUROPE 7/

23. The need has long been felt for diversifying Africa's trade channels especially through the development of new trade and economic links with the socialist countries of Eastern Europe. To this end, the Seventh session of the Conference of the African Ministers of Trade urged its member States to make full use of the information provided by ECA secretariat, «for the purpose of devising the best ways and means of developing their trade and economic relations with the socialist countries of Eastern Europe.» It furthermore requested the ECA secretariat

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5/ ECA, Report of the Conference of African Ministers of Trade on its Seventh Session, E/ECA/CM.7/13, pp. 12 and 13.

6/ ECA, Global System of Trade Preferences (GSTP) Negotiations: Products of interest to African countries, E/ECA/TRADE/27.

7/ In the preparation of this chapter, ECA secretariat benefitted greatly from the contribution provided by UNCTAD's Division for Trade with Socialist countries.

with UNDP financial assistance, to continue to give its utmost support to African countries in order to enable them to take full advantage of the existing trade potentials with socialist countries of Eastern Europe. 8/

A. Some recent trends

24. The volume of developing Africa's trade with the socialist countries of Eastern Europe continues to be generally low. Like in the case of trade with the market economies, Africa's exports are predominantly primary commodities and much lower than what the socialist countries of Eastern Europe export to Africa. In other words, socialist countries of Eastern Europe have generally maintained a favourable trade balance while African countries have encountered deficits. The socialist countries of Eastern Europe, with their growing economic and industrial potential can, however, offer additional opportunities in trade, economic and industrial co-operation with African countries.

25. There have been a number of favourable developments in recent years in the field of trade and economic relations between some African countries and the socialist countries of Eastern Europe. For instance, it is worth recalling that although the number of African countries which have established direct commercial and economic contacts with socialist countries in the recent years continues to be rather limited, more countries are seriously exploring possibilities for more effective and mutually beneficial forms of co-operation. Moreover, there has emerged some initiatives and constructive efforts at a bilateral level between the socialist countries of Eastern Europe and several African countries. Perhaps one of the biggest constraints in the development of these bilateral trade and economic relations is the lack of information about the foreign trade systems and modalities of trading practices of the socialist countries.

26. In order to make up for this information gap and assist developing African countries in this field, UNCTAD secretariat, jointly with the Economic Commission for Africa, has been implementing a technical assistance programme comprising training, dissemination of information and advisory services. During the 1980-1984 period, three regional seminars were organized jointly by UNCTAD and ECA secretariats. 9/ These were: (i) A regional seminar for African countries was held in Addis Ababa, Moscow, Budapest and Warsaw from 8 to 30 June 1981; (ii) A regional seminar for African countries took place in Moscow and Sofia from 30 September to 12 October 1982; and (iii) A subregional seminar for 20 Eastern and Southern African countries 10/ was held in Nairobi, Moscow and Berlin from 27 September to 11 October 1984.

8/ ECA, Report of the Conference of African Ministers of Trade on its Seventh Session, Addis Ababa, 1-3 February, E/ECA/CM.8/13, p. 13.

9/ ECA, Summary of trade and economic relations between developing Africa and the socialist countries of Eastern Europe, E/ECA/TRADE/19, September 1984.

10/ Angola, Botswana, Burundi, Ethiopia, Kenya, Lesotho, Madagascar, Mozambique, Rwanda, Seychelles, Somalia, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

27. The main objectives of these seminars were inter alia to acquaint the officials and representatives of the business sector with the foreign trade system, trade policies and modalities of trading of the socialist countries of Eastern Europe and to identify new ways of expansion and diversification of trade and economic relations between Africa and these countries. In addition to these regional seminars, the ECA secretariat has also been associated with interregional workshops for trade representatives accredited to the USSR and other socialist countries of Eastern Europe. In January 1985, the ECA secretariat, at the invitation of UNCTAD, participated in the Arab Expert Group meeting which was convened in Moscow to study ways and means for expansion of trade between the two groups of countries and make appropriate recommendations. The ECA's contribution included providing an additional background paper which reviewed not only some of the problems encountered in trade expansion but also made certain suggestions about increasing the trade prospects. 11/

28. Apart from these interregional and regional activities, the ECA has also been associated in national workshops organized by UNCTAD in response to requests received from African countries. Three such national workshops were held in Nigeria, Algeria and Kenya during 1981-1983. Similar national workshops are planned to be organized in the Congo and Zimbabwe, in 1985 with the active participation of ECA.

B. Areas for future co-operation

29. The areas for trade and economic co-operation between Africa and the socialist countries of Eastern Europe need to be fully clarified if this has to be mutually beneficial. This is particularly because the onset of the economic crisis since 1980 has adversely affected the economies of developing African countries and there are yet no meaningful signs of recovery. In the context of this economic situation, trade and economic co-operation between Africa and the socialist countries of Eastern Europe should assume greater importance.

30. The socialist countries of Eastern Europe possess abundant resources for economic and technical assistance to some developing countries towards building their national economies through various economic projects. The export capacity of a majority of the African countries, especially the least developed ones, is rather limited. These countries have specific priorities for trade and economic development; there is an urgent need for building necessary infrastructure for proper exploration of natural resources both in the agricultural and geological sectors. In other words, it is essential to explore ways and means by which to develop industrial, economic and technical co-operation with trade-creating potential.

11/ ECA, Trade and Economic Relations between countries of the North African Subregion and the socialist countries of Eastern Europe, E/ECA/TRADE/23, December 1985.

31. The socialist countries ought to continue to show more flexibility in adopting new instruments and devices, such as barter deals, counter trade, production co-operation, in order to overcome financial constraints of developing countries especially those in the African region. It is possible that with such a change of policy the countries of the African region can in their overall economic interests accord higher priority to expanding trade and economic relations with the socialist countries of Eastern Europe. To this end, fresh initiatives have to be made by both sides to establish and enlarge economic and commercial contacts of a long-term mutually beneficial character.

32. The Conference of Ministers may therefore wish to request the ECA and UNCTAD secretariats to jointly organize an expert meeting or a roundtable meeting of high ranking officials and experts from African and the socialist countries of Eastern Europe to study the most effective ways in which trade flows between the two groups of countries can be enhanced. It should also be required to explore and identify new ways of strengthening existing trade and economic co-operation links in this area.

VI. THE IMPLEMENTATION OF THE COMMON FUND OF THE INTEGRATED PROGRAMME FOR COMMODITIES (IPC) 12/

A. Background, objectives and functions

33. The Integrated Programme for Commodities (IPC) was established during UNCTAD IV and consists of two basic elements: (a) a series of arrangements designed to stabilize and strengthen the markets for a range of products of export interest to developing countries and (b) the establishment of a Common Fund envisaged as the principal source of financing for these arrangements. The main objectives of the Fund are to serve as a key instrument in attaining the agreed objectives of the IPC as embodied in UNCTAD resolution 93(IV), and to facilitate the conclusion and functioning of International Commodity Agreements (ICAs), particularly concerning commodities of special interest to developing countries. The Fund is designed to exercise the following functions:

(a) its First Account is expected to contribute to the financing of international buffer stocks and internationally co-ordinated national stocks within the framework of International Commodity Agreements;

12/ Prepared with contribution received from the Commodities Division of UNCTAD secretariat.

(b) its Second Account is expected to contribute to the financing of measures in the field of commodities such as research and development, productivity improvements, marketing and market promotion, and vertical diversification, and

(c) through promoting co-ordination and consultation with regard to measures in the field of commodities with a view to harmonizing national and international actions for a particular commodity.

B. Conditions for entry into force

34. The Agreement Establishing the Common Fund for Commodities was adopted on 27 June 1980 by the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities. It was opened for signature in New York in October 1980. Its entry into force was conditional upon the fulfilment of the following three conditions:

(a) ratification by at least 90 States;

(b) that the contribution of these States accounts for at least two thirds of the Fund's Directly Contributed Capital (DCC) of US$470 million;

(c) meeting at least 50 per cent of the target of US$280 million for pledges of voluntary contributions to the Second Account.

35. In the meanwhile, it was decided that necessary work be undertaken for bringing the Fund into operation so that it could actually start immediately after the fulfilment of the above conditions. To this end, a Preparatory Commission, with open-ended membership, was established to prepare draft rules and regulations and other policy instruments of the Fund for submission to its Governing Council at its first session. It was mandated to cover such matters as rules of procedure of the Governing Council and of the Executive Board, rules and regulations governing the operations of the Fund's two accounts, general conditions applicable to association agreements between the Fund and International Commodity Organizations, the administrative budget of the Fund and staff rules and regulations.

36. The Preparatory Commission established two Working Parties: (a) Working Party I dealt with administrative, legal and procedural matters, and (b) Working Party II dealt with operational and financial matters.

37. Working Party I held its first session from 4 to 8 May 1981 and prepared drafts of the rules of procedure of the Governing Council and of the Executive Board and the Rules and Regulations for the Conduct of Business of the Fund. These were considered and finalized - except for a few outstanding matters - by the Preparatory Commission in September 1981.

38. Working Party II at its first session held from 27 to 31 July 1981, discussed the main issues concerning the rules and regulations for First Account operations, on which there was a wide measure of agreement. At its second session held from 14 to 18 December 1981, and at its fourth session held from 22 to 26 March 1982, it considered the draft Model Association Agreement (between the Fund and international commodity organizations) and other related legal instruments as well as the draft rules and regulations for First Account operations. Finally, at its third session held from 25 to 29 January 1982, Working Party II had a preliminary exchange of views on the documents dealing with Rules and Regulations for the Second Account.

39. It is expected that the Preparatory Commission will hold further meetings soon before the entry into force of the Agreement with a view to completing its work and finalizing the necessary documents for submission to the first session of the Governing Council of the Fund.

C. Progress on signatures and ratifications

40. Initially, there was slow progress in the signature and ratification of the Common Fund. In fact, by 31 March 1982, the date stipulated in the Agreement for its entry into force, the Agreement had been ratified by only 25 countries and therefore could not enter into force. This led to the convening of a meeting of those States which had ratified the Agreement in order to decide on a possible extension of the time-limit for entry into force as provided for under Article 57 of the Agreement. The period for the fulfilment of the required conditions was then extended to 30 September 1983. However, as can be seen from Table 2 by 31 May 1985, the Agreement had been signed by 113 countries accounting for 79.5 per cent of the Directly Contributed Capital (DCC) and had been ratified by 84 countries accounting for 50.37 per cent of the Directly Contributed Capital.

Table 2

Common Fund: Progress of signature and ratification as of 31 May 1985

Regional Group	Total membership	Signed and ratified	Signed	Have not yet taken any action
Group B	24	17*	6*	1
Group D	7	0	0	7
Other countries	9	0	0	9
China	1	1	0	0
Group of 77	(122)	(66)	(23)	(33)
of which:				
Africa	50	37	7	6
Latin America	31	9	12	10
Asia	41	20	4	17
Total	163	84	29	50

* Since writing this paper, Belgium a member of Group B had ratified the Agreement.

41. Nearly five years will have elapsed since the adoption of the Agreement and only one of the three conditions for its entry into force has been met. Part of this because conditions laid down were quite interactable. For instance, it is rare for an International Agreement or Treaty to require ratification of such a very large number of countries before it can enter into force. Similarly, the condition relating to two thirds of the capital makes entry into force dependent upon ratification by either one of the two countries holding the largest shares of the capital or at least a total of 125 out of 163 countries. No single developing country accounts for 1 per cent of the Fund's capital. The highest percentage of the developing countries range from 0.36 to 0.96 per cent, and these are very few in number and do not exceed more than fifteen of a total of 122 countries. Not surprising therefore, the two super powers hold the key to the fulfilment of conditions for entry into force of the Agreement. For instance, the USA alone accounts for 15.71 per cent and similarly the USSR alone for above 6 per cent of the DCC of the Fund. The two major contributing countries (the USA and the USSR) are holding back progress towards entry into force of the Agreement. The fact that the USA signed the Agreement in 1980 but has not ratified has contributed to this lack of progress. The USSR and all the other socialist countries of Eastern Europe have neither signed nor ratified the Agreement, yet continuing to pay lip service about their concern with the plight of developing countries.

42. At the African level, there were still thirteen countries by 31 May 1985 which had yet to take all needed appropriate action. For instance, Angola, Congo, Djibouti, Liberia, Madagascar, Morocco and Mozambique have only signed but not ratified the Agreement. The other group of countries consisting of the Ivory Coast, Libyan Arab Jamahiriya, Mauritania, Mauritius, Seychelles and Swaziland have yet to sign let alone ratify the Agreement. Among those African countries which have not yet deposited their instrument of ratification of the Agreement, two are beneficiaries of the OPEC offer (Djibouti and Mauritania) and four others (Angola, Madagascar, Mozambique and Swaziland) are beneficiaries of Norway's offer.

43. The Common Fund can only come into operation through persuasion of the USA and the USSR. Towards this end, the African Group either acting alone or in concert with other members of the Group of 77 should intensify their lobbying to persuade the two super powers to bring the Fund into operation without further delay. Needless to say, those of the African countries which have not yet signed and/or ratified the Agreement should be urged to do so. A recommendation should also be adopted calling upon the other developing regions to persuade their respective members to also sign and/or ratify the Agreement within the spirit of collective self-reliance expressed in the Caracas Programme of Action and the New International Economic Order.

VII. CONCLUSIONS

44. As can be seen from this text, the international economic environment has continued to be particularly unfavourable to African countries. The prices of commodities of major export interest to Africa, which collapsed in 1980, continue to be depressed, the terms of trade and balance-of-payments of most African countries continue to be adverse; export earnings are declining relative to import bills which are increasing; transnational corporations which control some of these primary commodities continue to resist programmes for increased processing of these commodities which is seen by African governments as the most effective way of increasing the value added and hence export earnings. In addition to all these adverse factors, the widerspread drought and other natural calamities have dealt a heavy blow on agricultural production.

45. In order to combat these problems, the African group in international negotiations have and continue to press for new agreements and programmes to deal with the commodity and trade issues. The future of Africa's trade depends to a large extent on the perceptions of the African policy makers and on their negotiating capacity and skills in any new round of negotiations. Africa must persuade not only the industrialized countries but also the other members of the Group of 77 that unless the commodity issue is fully addressed and resolved, the present economic and social crisis facing Africa will continue for a long time. Consequently, a start should be made to devise a new strategy for negotiations for UNCTAD VII as well as within the GATT. With respect to the ACP-EEC Lomé III Convention, more effective programmes for monitoring and evaluating its implementation should be agreed without delay in order to ensure that Africa derives maximum benefit from this Convention.